

**HOOD CANAL COORDINATING COUNCIL**

**INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS**

**December 31, 2002**

# HOOD CANAL COORDINATING COUNCIL

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## INDEPENDENT AUDITOR'S REPORT

June 18, 2003

To the Board of Directors  
Hood Canal Coordinating Council  
Quilcene, Washington

We have audited the accompanying statement of financial position of the Hood Canal Coordinating Council (a non-profit corporation) as of December 31, 2002 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hood Canal Coordinating Council as of December 31, 2002 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



BALL & TREGER, LLP

**HOOD CANAL COORDINATING COUNCIL  
STATEMENT OF FINANCIAL POSITION  
December 31, 2002**

**ASSETS**

Cash and cash equivalents - Note 3	\$ 13,778
Grants receivable	13,342
Prepaid expenses	<u>1,227</u>
<b>Total current assets</b>	<u><b>28,347</b></u>
 <b>Furniture and equipment</b>	
Furniture and equipment	22,654
Less accumulated depreciation	<u>(5,641)</u>
<b>Total furniture &amp; equipment, net</b>	<u><b>17,013</b></u>
  <b>Total assets</b>	  <b>\$ <u><u>45,360</u></u></b>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ <u>2,332</u>
<b>Total current liabilities</b>	<u><b>2,332</b></u>
 <b>Net assets</b>	
Unrestricted	<u>43,028</u>
<b>Total net assets</b>	<u><b>43,028</b></u>
  <b>Total liabilities and net assets</b>	  <b>\$ <u><u>45,360</u></u></b>

The accompanying notes are an integral  
part of these financial statements

**HOOD CANAL COORDINATING COUNCIL  
STATEMENT OF ACTIVITIES  
Year ended December 31, 2002**

	<u>Unrestricted</u>
<b>Revenue</b>	
Dues - Note 5	\$ 46,300
Grants - Note 6	177,442
Interest	97
<b>Total revenue</b>	<u>223,839</u>
<b>Expenses</b>	
Program	187,014
Management and general	39,875
<b>Total expenses</b>	<u>226,889</u>
<b>Change in net assets</b>	(3,050)
Net assets, beginning of year	<u>46,078</u>
Net assets, end of year	<u><u>\$ 43,028</u></u>

The accompanying notes are an integral  
part of these financial statements

**HOOD CANAL COORDINATING COUNCIL  
STATEMENT OF CASH FLOWS  
Year ended December 31, 2002**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (3,050)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Depreciation	3,619
Decrease in accounts receivable	7,032
(Increase) in prepaid expenses	(1,227)
(Decrease) in accounts payable	<u>(16,062)</u>
Net cash provided (used) by operating activities	<u>(9,688)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of equipment	<u>(7,882)</u>
Net cash provided (used) by investing activities	<u>(7,882)</u>
 Net decrease in cash and cash equivalents	 (17,570)
Cash and cash equivalents - December 31, 2001	<u>31,348</u>
Cash and cash equivalents - December 31, 2002	<u>\$ 13,778</u>

The accompanying notes are an integral  
part of these financial statements

**HOOD CANAL COORDINATING COUNCIL  
STATEMENT OF FUNCTIONAL EXPENSES  
Year ended December 31, 2002**

	Programs	Management and General	Total
Bank charges	\$ 0	\$ 60	\$ 60
Contract labor	115,604	20,401	136,005
Copy & printing	5,043	1,681	6,724
Conference	3,228	0	3,228
Depreciation	3,257	362	3,619
Dues & subscriptions	82	247	329
Equipment	1,591	177	1,768
Insurance	0	4,239	4,239
Meals & entertainment	372	0	372
Miscellaneous	0	1,477	1,477
Office supplies	1,141	380	1,521
Other expense	0	895	895
Phone, fax, & internet	6,724	2,241	8,965
Postage	187	62	249
Professional fees - accounting	0	4,640	4,640
Professional fees - consulting	35,091	0	35,091
Professional fees - legal	875	875	1,750
Rent	4,500	1,500	6,000
Taxes - excise	1,191	210	1,401
Travel & training	8,128	428	8,556
	<u>\$ 187,014</u>	<u>\$ 39,875</u>	<u>\$ 226,889</u>

The accompanying notes are an integral  
part of these financial statements

**HOOD CANAL COORDINATING COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002**

**NOTE 1 – DESCRIPTION OF ORGANIZATION**

Hood Canal Coordinating Council (the "Council") is located in Quilcene, Washington. The Council was established in 1985 under an interlocal agreement between Jefferson, Kitsap, and Mason Counties and Port Gamble S'Klallam and Skokomish Tribes. The Council was formed in response to concerns about water quality problems and related natural resource issues in the Hood Canal watershed. The Council's primary activity is to assure the existence of wild salmon in Hood Canal for the next 150 years.

On November 21, 2000, the Council became a Washington Non Profit corporation. Prior to its establishment as a corporation, Kitsap County processed the Council's financial activities. The initial funding of the Council as a non profit corporation was the transfer of the net assets held by the County. This amount totaled \$18,543 and was recorded as a contribution for the year ended December 31, 2001. Income of the Council is derived primarily from local counties and tribes dues and state grants funding specified projects.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Statement Presentation:** The Council has adopted Statement of Financial Accounting Standards (SFAS) No.117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No.117, the Council is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

The Council also has adopted SFAS No. 116 "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

**Contributions:** All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor imposed restriction expires, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. For the year ended December 31, 2002, there were no contributions received by the Council and all revenue has been properly classified as unrestricted.

**Federal Income Taxes:** On July 3, 2002, the Council received notice from the Internal Revenue Service that it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code retroactive to November 21, 2000.

**Cash Equivalents:** For purposes of the statement of cash flows, the Foundation considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

**Property and Equipment:** Property and equipment are recorded at cost if purchased or at fair market value if donated. The Council follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500.

**Depreciation:** Depreciation is provided on a straight-line method over the estimated useful lives of the assets, five to seven years.



**HOOD CANAL COORDINATING COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**Estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Functional Allocation of Expenses:** The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Programs consist of salmon recovery planning, habitat monitoring assessment program, and the Hood Canal Community Near Shore Restoration program. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Advertising:** The costs of advertising are expensed when incurred.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following at December 31, 2002:

US Bank – checking	\$ 3,771
US Bank – money market	<u>10,007</u>
	<u>\$ 13,778</u>

**NOTE 4 – LEASES**

The Council leases office space from the USDA Forest Service in exchange for the USDA Forest Service's membership in the Council. The amount recognized as revenue and an expense in 2002 was \$6,000.

The Council also leases cars from the Port Gamble Band of S'Klallam Indians, a member of the board. The lease is an operating lease and total payments of \$4,362 were made in 2002.

**NOTE 5 – DUES**

Dues are paid by primarily by counties and tribes surrounding the Hood Canal that wish to participate in the activities and Board of Directors of the Council. Dues for the year ended December 31, 2002 consisted of the following:

Kitsap County	\$ 20,000
Jefferson County	10,500
Mason County	4,800
United States Forest Service	6,000
Port Gamble S'Klallam Tribe	2,500
Skokomish Tribe	<u>2,500</u>
	<u>\$ 46,300</u>

**NOTE 6 – GRANTS**

Grants are received by the Council to further their mission. For the year ended December 31, 2002, grants were received by the council from the following entities:

**HOOD CANAL COORDINATING COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002**

**NOTE 6 – GRANTS (CONT.)**

WDFW SRLE Grant 01-02	\$ 95,489
IAC Planning Grant	48,148
IAC Habitat Project	33,598
PSAT Byways Grant	<u>207</u>
	<u>\$ 177,442</u>